

Remarks

Claims 1-10 are pending. Claims 9 and 10 are new. Claims 1-8 have been rejected under 35 U.S.C. Sections 101, 103 and 112; these rejections are each respectfully traversed for the reasons expressed below. Clarifying amendments have been made to Claims 1, 2, 5, 6 and 8. As with previous revisions to the claims, these revisions attempt to clarify the invention, but are not believed necessary to distinguish the claims from the cited prior art, as further discussed below.

As suggested, proposed FIGURE 1 is attached for addition to the application. No new matter is believed added by this drawing. Thus, it is believed that each of Steps 1-10 referenced in FIGURE 1 is described, for example, in the following portions of the application as originally filed: Step 1 (pages 14-15); Step 2 (alternative funding costs, page 17, B.1.); Step 3 (user assumptions, top of page 15); and Step 4 (discount rate, page 15, B.3); Step 5 (present value of borrowing costs, page 17, B.); Step 6 (strike price determined as a % of present value estimate, page 17, C.); Step 7 (option premium charged to DLOC purchaser is calculated, page 17, D.); Step 8 (information from Steps 6-7 is input to DLOC documents, page 11, lines 15-17); Step 9 (DLOC documents generated, *id.*); and Step 10 (documents executed, fund DLOC purchase, last paragraph of page 12). However, the Examiner is requested to carefully consider this issue to ensure that this is the case.

New Claim 9 was previously recited in Claims 1 and 8. New Claim 10 is supported by page 9, lines 2-5 of the specification as originally filed.

The Section 112 Rejection

The Section 112 rejection for indefiniteness is now believed moot in light of the

change in the whereby clause of Claims 1 and 8 from “may be quantified” to “is quantifiable.”

The Section 101 Rejections

The two inoperativeness rejections pursuant to Section 101 are traversed. First, as to Johnson, Johnson’s indication that core deposit intangibles do not qualify as financial instruments misses the point. “Financial instrument” as used by Johnson refers to a specific technical definition found within Generally Accepted Accounting Principles for a particular type of asset. *Financial Accounting Statement No. 107*, issued by the Financial Accounting Standards Board, defines three different types of assets: tangible assets possessing physical substance, financial instruments that lack physical substance and are contractual in nature, and intangible assets that lack physical substance and are not contractual in nature.

The DLOC (deposit liability option contract of the present invention) is a “financial instrument” within the meaning of Johnson that is separate and distinct from the core deposit intangible asset to which it is related. The DLOC may not serve to transfer a core deposit asset into a “financial instrument”; however, within the context of the invention, the DLOC creates sufficient indicia of reliability and marketability in the related core deposit intangible asset to warrant its recognition for investment and regulatory capital purposes. In performing this function, the DLOC operates to secure real economic value for an asset that formerly was not valued. Accordingly, it is respectfully suggested that this basis for alleged inoperativeness of the invention is not supportable.

Second, as to nonoperativeness under Section 101 due to an alleged failure to

claim a technological basis, it is requested that this rejection be withdrawn in light of recent case authority. For example, the Examiner is directed to: *State Street Bank & Trust Co. v. SignatureFin. Group Inc.*, 149 F.3d 1368 (Fed. Cir. 1998) (the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, because it produces a “useful, concrete and tangible result” meeting Section 101); and *AT&T Corp. v. Excel Comm. Inc.*, 172 F.3d 1352 (Fed. Cir. 1999) (a process that applies an algorithm to produce a useful, concrete tangible result without preempting other uses of the mathematical principle or formula falls within the scope of Section 101). As in *State Street*, the present invention clearly transforms data using mathematical calculations which constitute a practical application of a mathematical algorithm, which undeniably produces useful, concrete and tangible results, i.e., the recognition of asset-status for core deposit intangibles previously not treatable as such for purposes of bank regulatory capital. As in *AT&T*, a process applying an algorithm is disclosed that produces a useful and tangible result without preempting other uses of the formula(s) involved (i.e., the invention is specifically confined to the context of treating a deposit liabilities base).

Bowman is clearly distinguishable because there, the claims failed to recite the use of a computer, for example, in either the specification or the claims, which is not the case here. See, e.g., *Bowman*, 61 USPQ2d at 1671 (“Appellant has carefully avoided tying the disclosed and claimed invention to any technological art or environment. As noted by the examiner, the disclosed and claimed invention is directed to nothing more than a human making mental computations and manually plotting the results on a paper

chart....” In contrast, Claim 1 of the present invention, for example, recites “A method using a computer ... inputting at least some of the external market data and the internal data to the computer system....”

The Section 103 Rejections

As to the Section 103 rejections, Claims 1-8 have been rejected as unpatentable over Odom in view of Sanyai, Farineau and Johnson. However, Odom discloses only a general system which is potentially more efficient for handling data processing requirements for a “put” option, and fails to address core deposit intangibles. Odom assumes as a given that a particular commodity may be traded over an electronic exchange system. Odom assumes as a given that a particular commodity is traded over an electronic exchange system. Accordingly, Odom says nothing about the problem recognized by the present inventor: that the core deposit intangible assets underlying the DLOC have no available market on a stand-alone basis, let alone a market quoted on an electronic exchange system. Odom does not contemplate the use of an option contract for the purposes of establishing reliability and marketability of a formerly unreliable, not marketable underlying asset or commodity. Thus, Odom neither identifies the problem, itself a potentially patentable event, *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861 (Fed. Cir. 1985), nor solves it.

The deficiencies in Odom are not cured by Sanyai, Farineau or Johnson. Sanyai discusses a valuation analysis of some core deposits with the goal of creating an accurate reference to compare core deposits to other forms of borrowing. Sanyai, however, says nothing about creating a mechanism to establish, in an actual arms-length transaction between willing parties, a minimum liquidation value for a core deposit base. Sanyai

describes a core deposit value determination arrived at by appraisal methodology utilizing estimates and assumptions. The present invention describes a truly reliable core deposit value determination established by contract. Sanyai says nothing about the objective of establishing a truly reliable value for such a pragmatic purpose as to secure the deposit value's inclusion in the calculation of a bank's regulatory capital. Neither Farineau nor Johnson recognizes this fundamental point, either.

The present invention, in stark contrast, posits the use of an actual option on a specific set of core deposits, to act as a market mechanism to establish a value for the core deposits, and for the specialized purpose of obtaining positive regulatory capital treatment, for example. To make an analogy, if the subject of the appraisal were a home, the Sanyal article suggests a methodology for providing a more accurate home appraisal, while the present invention provides a vehicle for obtaining a contract on the home (not as easily done in the core deposit realm) to actually establish its worth. With the present invention, this is realized by obtaining a firm commitment from a counter-party, in the form of a put option, so that the counter-party is contractually obligated to pay a specified price for specific core deposits.

Sanyai, Farineau and Johnson each fail to even reference a principal purpose of the present invention, i.e., obtaining regulatory capital benefit for specific core deposits by contractually establishing a minimum liquidation value for the underlying core deposits, let alone provide any methodology for satisfying that purpose.


In short, the mere application of appraisal methodology to core deposits, either alone or in combination with Odom, falls far short of disclosing or suggesting the present invention as claimed.

In addition, the present invention satisfies a long-standing but unmet need: creating economic value for a deposit intangible asset that historically has not been recognized for either regulatory or investment purposes. This is further objective indicia of nonobviousness. See, e.g., *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760 (Fed. Cir. 1983).

Applicants respectfully request an allowance of pending Claims 1-10. If the next written communication is intended to be other than an allowance, the Examiner is requested to contact the undersigned prior to mailing same.

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Respectfully submitted,



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